

Office of the Premier
Room 226, 2405 Legislative Dr.
Regina, SK

June 5, 2013

Dear Premier Wall:

Canadians believe in the old adage “give a hand-up, not a hand-out.”

Yet, each year Saskatchewan and other provinces deemed by the federal government to be wealthy – the “haves” – are forced to give billions of dollars in handouts to provinces deemed to be less wealthy – the “have not’s.” This occurs through Canada’s \$16 billion per year Equalization program.

Of course, ‘deemed to be’ less wealthy is not necessarily a reflection of reality.

For example, according to Equalization program rules, Quebec is deemed to be a “have not” province. Meanwhile, it is sitting on massive quantities of undeveloped resources such as natural gas.

Under perverse equalization program rules, Quebec has a disincentive to aggressively develop those resources as doing so would increase its ‘fiscal capacity,’ and therefore decrease the cash it receives from Equalization.

In fact, their separatist premier, Pauline Marois, recently [posted a video](#) to the Parti Québécois website where she states: “If one day, we produce oil and gas in Quebec, why would we let half of this wealth go down the road to Ottawa?” (Translated)

While Quebec continues to sit on significant resource opportunities, one resource it has developed – its vast supply of hydroelectric power – falls outside of the Equalization formula and isn’t taken into consideration by Ottawa. As a result, the province regularly sells power to Quebec residents below market rates; reducing revenues and decreasing power conservation in the process.

The situation is akin to the government of Alberta deciding to start a gas station company and selling gas to Albertans for \$0.75 per litre rather than the going market price.

While Quebec sells power below market rates and sits on resource opportunities, it offers its citizens many benefits that other “have” provinces do not provide; highly subsidized post-secondary education and day care to name a couple. As you are aware, this does not sit well with many taxpayers in Saskatchewan.

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Winnipeg Office

1881 Portage Ave (PO BOX 42123)
Winnipeg, MB
R3J 3X7
(204) 982-2150
Fax (204) 982-2154

Head Office

265-438 Victoria Ave E
Regina, SK
S4N 0N7
1-800-667-7933
Fax (306) 352-7203


Make no mistake, the problems with the Equalization program go far beyond Quebec. Whether it's Manitoba devaluing its hydroelectric power or some Atlantic provinces being encouraged with bonus Equalization payments for maintaining high debt loads, the Equalization program needs serious reform.

Who better to champion reform during 2014 negotiations for the program than the province of Saskatchewan?

After all, Saskatchewan has been both a recipient and a contributor to equalization within the past decade. As Premier, you would be on solid footing to discuss the disincentives in the program that contributed to holding Saskatchewan back for so long.

We are encouraged by your public comments about frustrations with the current program and hope you will work with premiers of other "have" provinces to be just as vocal in pushing for reform as many other premiers are in defending the status quo.

On behalf of the Canadian Taxpayers Federation, I urge you to stand up for Saskatchewan and demand a new deal on Equalization.



Colin Craig,
Prairie Director
Canadian Taxpayers Federation